

December 15, 2000

Memorandum

To: Department Management Control Coordinators

From: Theodore Woronka, Deputy Director
Office of Financial Management

Subject: FY 2001 Management Control Program Guidelines

This memorandum constitutes the Department's guidance for the FY 2001 Management Control Program, including the activities and time frames necessary to comply with the Federal Managers' Financial Integrity Act (FMFIA).

As you know, the Office of Financial Management (PFM), working in partnership with the bureaus, other PMB offices and the OIG, has initiated many recent program changes designed to streamline and further improve the Management Control Program, and promote improved accountability and integrity throughout the Department.. For FY 2001, PFM plans to continue this trend by building on the results of the FY 2000 management control assessments and recommendations in OIG and GAO program and financial audits, and implementing the directives of the Department's Management Control and Audit Follow-up Council (MCAF Council).

Monthly Status Report on Material Weakness Corrective Action Progress

As discussed at the recent FY 2000 year-end meeting of the MCAF Council, we were not successful in meeting the new Department GPRA goal for completing material weakness corrective actions by the target date reported in the annual Accountability Report. As a result, PFM was directed by the MCAF Council to accelerate its monitoring of bureau material weakness corrective action progress to ensure that the five material weaknesses scheduled for completion in FY 2001 are completed on time. Beginning in January 2001, PFM will report monthly to the Interior Management Council (IMC) on which bureau material weakness corrective action milestones are scheduled to be completed during the month, and which milestones get completed. This new reporting requirement will supplement PFM's existing monthly audit follow-up reporting requirement to the IMC. PFM will implement an abbreviated, electronic material weakness corrective action progress report to meet this requirement.

Departmental Functional Reviews

PFM has been advised by the Office of Information Resources Management (PIR) and the Office of Acquisition and Property Management (PAM) that they will again be conducting Departmental Functional Reviews (DFR's) for automated information systems, property, and acquisition management

in order to meet statutory requirements and OMB directives. PIR and PAM have already distributed their guidance to bureaus for conducting these DFR's, and we will appreciate your assistance in ensuring that the action milestones for completing those DFR's are achieved. In addition, PAM will be conducting a follow-up DFR to the FY 2000 SmartPay Program DFR. This DFR will be developed in conjunction with a work group with members from the Department's SmartPay Program Coordinators, Bureau Finance Officers and PFM. The DFR is expected to be completed in the third quarter of FY 2001.

Automated Management Control Assessments

The Department strongly recommends that bureaus consider using the automated assessment approach for conducting management control assessments in FY 2001. As noted at the FY 2000 year-end meeting of the MCAF Council, bureaus are now conducting approximately 80 percent of the annual management control assessments used to support their FMFIA annual assurance statements. About 20 percent of the FY 2000 management control assessments were conducted using the automated approach. Those bureaus using the automated approach indicated that even with the "learning curve" associated with the software and methodology, the automated approach was found to be a more efficient and cost-effective method of conducting, analyzing and reporting the results of management control assessments. These bureaus reported that the automated assessments:

- < significantly reduced the staff resources and travel costs consumed in planning, conducting, analyzing and reporting the results of assessments;
- < were capable of effectively evaluating management controls with a minimum amount of program-specific assessment questionnaire edits on the "front end" of the planning process;
- < provided a focus on specific areas where potential material deficiencies, areas of improvement and best practices existed; and,
- < simplified the reporting of results for year-end assurance statement purposes.

PFM staff will again be available to provide technical assistance to bureau personnel in planning and conducting automated management control assessments.

PFM Management Control and OIG Audit Follow-up Liaison Responsibilities

Beginning in FY 2000, PFM implemented an integrated approach to its oversight of bureau management control and OIG audit follow-up programs. Under this integrated approach, both management control and OIG audit follow-up program oversight responsibilities for each bureau were assigned to a specific PFM Focus Group staff person. PFM believes this integrated approach improves customer service by providing "a single point of contact" for all bureau management control and audit follow-up issues. The PFM bureau liaisons for FY 2001 are as follows:

Water and Science Bureaus	Debbie Smith	(202-208-3250)
Fish and Wildlife and Parks Bureaus	Ted Cross	(202-208-5251)
Land and Minerals Bureaus	Gordon Horwitz	(202-208-7317)
Bureau of Indian Affairs	Charlene Hutchinson	(202-208-3964)
Office of the Secretary /PMB Offices	Eddie Ray	(202-208-7954)
Office of the Special Trustee	Eric Eisenstein	(202-208-3417)
U.S. General Accounting Office Audits	Deborah Williams	(202-208-3963)

Other FY 2001 Management Control Program Guidance Highlights

- # Bureaus and offices should develop their management control assessment plans for FY 2001 based on management priorities and available resources. In developing these plans, bureaus and offices should not expect OIG program and financial audits, and GAO audits, to provide more than 20 percent of their total management control assessments.

Bureaus should transmit their management control assessment plans to PFM for review and concurrence by January 16, 2001. The plans should specifically identify the programs, organizations or functions to be assessed, the time frame for each assessment, the responsible official, and note which assessments are OIG and or GAO planned audits. PFM will review the priorities and plans, and offer recommendations for other assessments where appropriate. PFM will provide feedback and concurrence on bureau FY 2001 assessment plans within 10-days after receipt.

- # Bureaus and offices will again have discretion in determining which program and operational controls are to be assessed, the methods used to assess them, and the nature and extent of assessment documentation. Bureaus and offices must ensure that assessment documentation complies with current OMB and GAO standards, and that copies of all final assessment reports are forwarded to and maintained in a file by the bureau MCC. PFM will conduct a post-assessment review of final assessment reports on a sample basis. Bureau MCC's should advise PFM by e-mail when the final reports are available for inspection.

- # Bureaus and offices shall again determine the best means to verify completion of material weakness and/or accounting system non-conformance corrective actions. Bureau and offices are expected to maintain appropriate documentation in a central location for subsequent review and validation by the Department and or OIG.

- # Bureaus and offices shall prepare and file an abbreviated Annual Assurance Statement. The

statement should be addressed to the Assistant Secretary - Policy, Management and Budget, Attention: Office of Financial Management. A separate assurance statement from the cognizant Assistant Secretary is not required. A sample Annual Assurance Statement is provided in **Attachment 1** for your reference. Please note that annual assurance statements must specifically list the management control assessments and OIG/GAO audits which formed the basis for the conclusions provided in the annual assurance statement. **FY 2001 Annual Assurance Statements are due on or before October 1, 2001.**

- # Bureaus and offices will be required to participate in periodic progress meetings with PFM and OIG staff to review program status and provide updates on material weakness and accounting system non-conformance corrective actions. In addition, bureaus will be expected to provide progress reports on any actions taken to resolve material weaknesses, reportable conditions and non-compliance issue reported in the FY 2000 audited financial statement process, as well as any of the Departmental management challenges, high risks or other critical Issues reported to Congress by the OIG and or GAO

A Time Table of Scheduled Actions for the FY 2001 Management Control Program is provided in **Attachment 2** for your reference. If you have any additional questions regarding the Management Control Program requirements for FY 2001, please contact either Wayne Howard or me on (202) 208-4701.

Attachments

cc: Bureau and Office Directors
Roger LaRouche, Assistant Inspector General for Audits

Attachment 2

FY 2001 Management Control Program Schedule of Key Actions

Action	Organization	Due Date
1. Issue FY 2001 Management Control Program Guidance.	PFM	12/20/01
2. Commence monthly status reporting on material weakness corrective action progress to the IMC	PFM	01/04/01
3. Notify PFM of management control assessment priorities and plans; PFM to recommend additional assessments and or provide concurrence within 10-days of receipt of bureau plans.	Bureaus/Offices	01/16/01
4. Periodic progress meetings with bureau, OIG and PMB office staff (semiannually at a minimum)	Bureaus/Offices PFM/PMB/OIG	5/7-11/01
5. Complete all FY 2001 management control assessments, (DFRs by specified due date)	Bureaus/Offices	08/15/01
6. Submit FY 2001 Annual Assurance Statement	Bureaus/Offices SOL,OIG	10/1/01
7. Year-end bureau meetings to resolve pending issues related to management control and audit follow-up programs	PFM,OIG Bureau MCCs	11/5-9/01
8. Year-end Department Management Control and Audit Follow- up Council meeting	Assistant Secretaries, SOL,OIG	12/4/01

Attachment 1

Memorandum

To: Assistant Secretary - Policy, Management and Budget
Attention: Office of Financial Management

Through: Assistant Secretary, _____

From: Bureau or Office

Subject: FY 2001 Annual Assurance Statement on Management Controls

The (bureau \office) has completed an assessment of its systems of management, administrative and financial controls in accordance with the standards, objectives and guidelines prescribed by the Federal Managers' Financial Integrity Act (FMFIA) and the Office of Management and Budget. The objectives of this assessment are to ensure that:

- programs achieve their intended results;
- resources are used consistent with agency mission;
- resources are protected from waste, fraud, and mismanagement;
- laws and regulations are followed; and,
- reliable and timely information is maintained, reported, and used for decision-making.

In performing this assessment, the bureau\office relied on the knowledge and experience management has gained from the daily operation of its programs and systems of accounting and administrative controls, and information obtained from sources such as management control assessments, OIG and GAO audits, program evaluations/studies, audits of financial statements, and performance plans and reports. The following specific management control assessments conducted by the bureau, and audits and or reviews conducted by the OIG and or GAO were relied upon to support the conclusions expressed herein:

Results

<u>Assessment /Audit</u>	<u>Date Completed</u>	<u>(material weakness or best practice)</u>
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(List)

Based on the results of the FY 2001 assessment, I conclude that the (bureau\office's) systems of management, administrative and financial controls provide reasonable assurance that the objectives of the FMFIA have been achieved. I also conclude that the (bureau\office's) sensitive information systems provide (do not provide) reasonable assurance that the objectives of OMB's Circular A-130, Management of Federal Information Resources, have been achieved. Further, I conclude that the (bureau\office's) financial systems generally conform (do not conform) with governmentwide standards and requirements.

The corrective action reports for material weaknesses and or accounting system non-conformance identified in the FY 2001 assessment, or carried over from the prior year, are attached. These reports identify the nature of the weakness or non--conformance, its cause and effect, appropriate milestones in the corrective action plan, progress to date, and the individual accountable for the timely completion of sated corrective actions. The existence of these material weaknesses or accounting system non-conformance does not (does) prevent the (bureau\office) from providing reasonable assurance on the effectiveness of its management controls taken as a whole.

Attachment

cc: Assistant Inspector General for Audits

